

OFFICE OF
Janet L. Kalajainen



REGISTER AND RECORDER
LAWRENCE COUNTY

Lawrence County

Government Center
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New Castle, PA 16101-3593
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recorder@co.lawrencepa.us



0604799-0002T

RECORDING COVER PAGE

Page 1 of 5

Document Type: Oil & Gas Lease

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Transaction #: 545454

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RETURN TO:

PENNECO PIPELINE CORPORATION
6608 ROUTE 22
PO BOX 300
DELMONT, PA 15626-0300

SUBMITTED BY:

PENNECO PIPELINE CORPORATION
6608 ROUTE 22
PO BOX 300
DELMONT, PA 15626-0300

PARCEL ID: 24-115500

NUMBER OF IDS: 2

PARTY 1: CHARLES PHIPPS

CONSIDERATION/SECURED AMT: \$1.00

FEES / TAXES:

Recording Fee	\$18.50
SOV Fee	\$0.00
Parcel ID Certification Fee	\$10.00
Total:	\$28.50

Document Number: 2009-000502
Recorded Date: 01/22/2009

I hereby CERTIFY that this document
is recorded in the Recorder's Office of
Lawrence County, Pennsylvania



Janet L. Kalajainen

Janet L. Kalajainen
Recorder of Deeds

**NOTE: If document data differs from cover sheet, document data always supersedes.
*COVER PAGE MAY NOT INCLUDE ALL DATA, PLEASE SEE INDEX AND DOCUMENT
FOR ANY ADDITIONAL INFORMATION.**

DO NOT REMOVE - THIS PAGE IS PART OF THE RECORDED DOCUMENT.

OIL AND GAS LEASE

MADE and entered into the 8th day of January, 2009, by and between:

<u>1/2 Int. Charles Phipps</u>	<u>1/2 Int. Brian J. Kerr</u>
<u>1293 Skyhill Road</u>	<u>1229 Skyhill Road</u>
<u>Edinburg, PA 16116</u>	<u>Edinburg, PA 16116</u>

hereinafter called the "Lessor", and **Penneco Pipeline Corporation**, a Pennsylvania corporation, with its principal office located at 6608 Route 22, Delmont, PA 15626-0300, hereinafter called the "Lessee".

WITNESSETH: That the Lessor, for and in consideration of the sum of One (\$1.00) Dollar in hand well and truly paid by the Lessee, the receipt whereof is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the Lessee to be paid, kept and performed, has leased and let and by these presents does lease and let unto the Lessee for the purpose of drilling and operating for and producing oil, liquid hydrocarbons, all gases, including without limitation, natural gas, methane gas, coalbed methane gas, and all constituent products.

Lessor also grants to Lessee the right to open, repair, maintain and use a roadway or roadways to wells or well locations on this or other lands, the right to conduct geological and geophysical surveys and explorations and the right to construct, lay, maintain, operate, change and remove pipelines, the right to install tanks, compressors, valves and other necessary appurtenances, and all other appliances and structures on, over, and through said lands, and with all other rights and privileges, including free oil, gas, gasoline and water from the lands, necessary or convenient for the operation of said land or other lands for the transportation of oil or gas produced from said land or other lands.

All that certain tracts of land situate in Mahoning Township, Lawrence County and Commonwealth of Pennsylvania bounded substantially by the following lands:

North N/F Skyhill Road

East N/F Buckner

South N/F Susany

West N/F Susany

Certified by MEK

Tax Map # 2308-143A(2ac); Tax Parcel # 24-115-500

Tax Map # 2308-142(1ac); Tax Parcel # 24-115-600

Containing 3 acres, more or less reserving, however, Two Hundred (200') Feet from dwelling houses and barns now on the premises, on which no well shall be drilled by either party except by mutual consent. All of the oil produced and recovered and all of the gas (subject to reservation or exception of gas for Lessor's use as hereinafter set forth) produced and recovered under the terms of this Lease are hereby granted, bargained and sold unto the said Lessee. Lessor agrees that Lessee may enter upon the leased premises, search for and clean out any abandoned oil or gas well, and such well shall then be considered to have been drilled under the terms of this lease and the same may be properly plugged and abandoned again or refitted and utilized by Lessee for the production of gas. The leased premises may be fully and freely used by the Lessor for other purposes, excepting such as are used by the Lessee in operating hereunder. Lessee further agrees to pay Lessor for any damage to growing crops, trees and fences, caused by Lessee in operating this lease.

1. LESSOR'S COVENANTS. Lessor hereby covenants that he is seized of an indefeasible fee interest in the land herein before described, together with all the underlying oil and gas, and that he will forever warrant and defend the leasehold estate hereby demised unto the Lessee against the lawful claims and demands of all persons whomsoever, and that Lessee shall have the exclusive, full free and quiet possession of said described premises for the purposes and during the term herein set forth. Lessor further agrees that the Lessee at its option may pay and discharge, when defaulted, any taxes, mortgages or other liens existing, levied or assessed on or against the above described lands, and in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

2. **TERM.** It is agreed that this Lease shall remain in force for the term of at least Five (5) year(s) from the date hereof, and as long thereafter as the above described land is operated by the Lessee in the search for or production of oil and gas. Any roadways and/or pipelines installed during the term of this lease, shall extend beyond the termination of this lease upon payment by Lessee to Lessor, as additional consideration for said easement rights, the amount of One (\$1.00) Dollar, per foot, for any pipeline installed upon said property or the amount of Two (\$2.00) Dollars, per foot, for any road installed upon said property. The aforesaid easement rights shall be extended so long as the same are maintained and utilized by Lessee, its successors and assigns.

3. **PAYMENT TO LESSOR.** In consideration of the premises the Lessee covenants and agrees as follows:

Gas Royalties: Lessee is to pay a royalty to Lessors equal to one-eighth (1/8) of the value of all gas produced, saved and marketed. The time and method of marketing gas produced from any well on the leased premises and the amount thereof that shall be used or marketed within any period of time shall be entirely within the discretion of the Lessee.

Oil Payments: Lessor specifically excepts and reserves, in lieu of royalty, one-eighth (1/8) of the oil produced and recovered by Lessee. Lessee shall market the one-eighth (1/8) interest of the Lessor in said oil, together with the seven-eighths (7/8) interest of the Lessee in the oil and may direct that all payments attributable to Lessors' one-eighth (1/8) interest in the oil shall be payable directly by the purchaser of the oil to the Lessor. Said payments to Lessor shall be made under the same terms and conditions as payments to the Lessee by the purchaser of said oil. The time and method of marketing oil produced from any well on the leased premises and the amount thereof that shall be used or marketed within any period of time shall be entirely within the discretion of the Lessee.

Delay Rental: Lessee covenants and agrees to pay a rental at the rate of Sixty (\$60.00) Dollars per acre annually, in advance, until a well producing oil and/or gas is drilled. The first delay rental payment shall be made within Thirty (30) days of this Lease. Any rental paid for the time beyond the date of drilling of a well shall be credited upon the first royalty due upon the same. It is agreed that Lessee may drill or not drill on the leased premises, as it may elect, and that the consideration and rentals paid and to be paid, constitute adequate compensation for such privilege.

G.T. C.P. B.K.

4. **GAS EXCEPTED.** Lessor hereby excepts and reserves from any well on said land producing gas Three Hundred Thousand (300,000) cubic feet of gas per year, or such part thereof as Lessor requires for his own use ~~in one dwelling house~~ on said land, at Lessor's own risk; subject, however, to the use, operation, pumping and right of abandonment by Lessee of its wells and pipelines on the premises. Lessor may at his own expense and upon written application, secure such gas by a service line laid to and connected either to any such well on said land or to Lessee's pipeline leading from such well to market, the point of connection to be designated by Lessee. If Lessor in any year uses gas in excess of the quantity reserved or excepted, Lessor shall pay One Hundred and Fifty (150%) percent of the current well head price. In case of default in payment for gas used in excess of 300,000 cubic feet, Lessee is hereby authorized to deduct the amount thereof from any royalty or other payments that are then due, or may later become due, under the terms of this lease, but Lessee assumes no obligations to furnish Lessor with gas in excess of the quantity reserved or excepted. The measurement and regulation shall be by meter furnished by Lessee and regulators furnished by Lessor and set at the tap on the well or line.

5. **DIRECTIONS FOR PAYMENT.** All payments hereunder may be made direct to the Lessor or by check or draft payable to the order of:

<u>1/2 Int. Charles Phipps</u>	<u>1/2 Int. Brian J. Kerr</u>
And mail to: <u>1293 Skyhill Road</u>	<u>1229 Skyhill Road</u>
<u>Edinburg, PA 16116</u>	<u>Edinburg, PA 16116</u>

6. **SURRENDER.** It is agreed that said Lessee may at any time remove all machinery and fixtures placed on said premises; and further, upon the payment of One (\$1.00) Dollar and all amounts due hereunder Lessee shall have the right to surrender this Lease at any time as to all or any part or parts of the land covered by the same and thereupon shall be released and discharged from all payments, obligations, covenants and conditions herein contained whereupon this lease shall be null and void as to the land in respect to which a surrender is made. Lessor agrees that the recordation of a deed of surrender in the proper county, and the mailing in the Post Office of a check payable as above provided, for said sum or sums and all amounts then due hereunder, shall be accepted as full and legal surrender of the Lessee's rights under this lease, or under the portion surrendered.

7. **FORCE MAJEURE.** If and when drilling or other operations hereunder are delayed or interrupted by lack of water, labor or material, or by fire, storm, flood, weather, war, rebellion, insurrection, riot, strike, ~~difficulties with workmen, failure of subcontractors,~~ or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, rule, regulation, requisition or necessity of the government, or any other recognized force majeure, or as the result of any other cause whatsoever beyond the control of Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

8. **TRANSFERS AND ADVERSE INTEREST.** In case of a conveyance of all or part of the premises leased, Lessee may continue to make all payments to Lessor until furnished with the original or a certified copy of any such deed on conveyance or other documents or proof to enable Lessee to identify the land conveyed as being all or part of the leased land, or on written notice of any such conveyance, may hold all payments until furnished with such copy and other documents and proofs, and shall apportion the delay rental, and royalty, in case of any division, according to acreage. Said Lessee shall not be required in any event to increase the delay rental, or the gas or oil royalty payments hereunder by reason of any royalty or interest in said oil and gas that may have been heretofore sold, reserved or conveyed by said Lessor or by his predecessors in title or otherwise; and if the Lessor does not have title to all the oil and gas in the leased premises, there shall be refunded such part of all payments made by the Lessee hereunder, as shall be proportionate to the outstanding title, and payments thereafter to be made shall be reduced in the same proportion. In case of notice of, or an adverse claim to the premises, affecting all or any part of the rentals, or royalties, Lessee may withhold payment or delivery of the same until their ownership is determined by compromise, or by final decree of a court of competent jurisdiction, and to this end Lessee may file a petition for interpleader.

9. **LESSOR** further grants to the Lessee, its heirs and assigns, the right to unitize all or any part of this Lease with other leases to form a drilling unit or units of any size for development of the area. In the event this Lease is so unitized, the Lessor agrees to accept, in lieu of the royalty herein before recited, such proportion of the royalty above provided, as the area to be unitized from this Lease bears to the total acreage comprising the unit or may be negotiated between the parties at the time the unit is formed.

10. **AFFIDAVIT OF NON-PRODUCTION:** Lessors hereby warrant that (i.) the leased property is not encumbered by any enforceable oil or gas lease of record or otherwise and that (ii.) they are not currently receiving any bonus, rental, production royalty, or shut-in royalty as the result of any prior oil and gas leases covering any or all of the subject property, and that (iii.) there have been no wells drilled upon the subject property or upon any lands with which the property has been combined in a drilling or production unit, or in the event any well(s) have been drilled, that such have been plugged and abandoned.

11. **CONSTRUCTION:** No structures or obstructions shall be placed by Lessor within One Hundred and Fifty (150) Feet of any well drilled hereunder without the consent of the Lessee. No structures or obstructions shall be placed or maintained by Lessor and no earth shall be removed from or filled upon, or within Ten (10) Feet of any roadway or pipeline installed hereunder without the consent of Lessee.

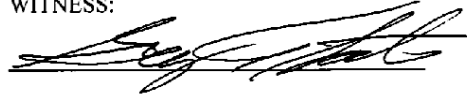
12. **NON-COMPLIANCE:** In the event Lessor considers that Lessee has not complied with any of its obligations hereunder, either expressed or implied, Lessor shall notify Lessee in writing setting out specifically in what respects Lessee has breached this contract. Lessee shall then have 30 (thirty) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice and the failure to cure the purported lease violation shall be a condition precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of 30 (thirty) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any part of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all of its obligations hereunder.

Lessor(s) shall have the right to approve the location of wellsites, roadways and pipelines. Said approval shall not be unreasonably withheld.

It is agreed that all terms, conditions, limitations and covenants between the parties hereto shall extend to their respective heirs, successors, personal representatives and assigns, that the entire contract and agreement between Lessor and Lessee is embodied herein, and that no verbal warranties, representations, or promises have been made or relied upon by Lessor or Lessee supplementing, modifying or as an inducement to this agreement.

IN WITNESS WHEREOF the parties to this agreement have hereunto set their hands and seals the day and year first above written.

WITNESS:


Charles Phipps


Brian J. Kerr

"Lessors"

PENNECO PIPELINE CORPORATION


Terrence S. Jacobs

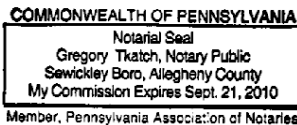
"Lessee"

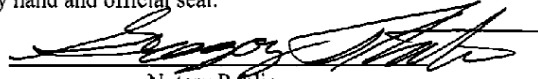
COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF LAWRENCE)

On this, the 8th day of January, 2009, before me, a Notary Public, the undersigned individual(s), personally appeared Charles Phipps and Brian J. Kerr known to me (or satisfactorily proven) to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged that she/he/they executed the same for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.



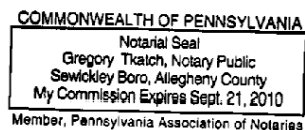

Notary Public

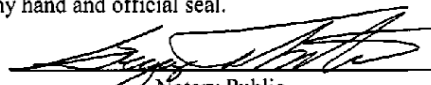
COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF WESTMORELAND)

On this, the 12th day of January, 2009, before me, a Notary Public, the undersigned officer, personally appeared Terrence S. Jacobs, who acknowledged himself to be the President of Penneco Pipeline Corporation, and that as such President, being authorized to do so, executed the foregoing instrument for the purpose therein contained by signing the name of the corporation by himself as President.

In witness whereof, I hereunto set my hand and official seal.




Notary Public